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towards European recovery, if, before placing large European loans in this country, our bankers would carefully examine the security offered, and discriminate against nations which are not making a real effort towards rehabilitation by balancing their budgets through decreased expenditures and increased taxes, and, particularly, against nations which are likely to use, directly or indirectly, moneys obtained from us, or money due and not paid to us, for maintaining large standing armies and navies, which will always be a menace to the peace of the world.

LESSON OF THE CIVIL WAR

In conclusion: It is just about sixty years since this country was engaged in civil war which left the South, particularly, without resources and more prostrate than any part of Europe is today, and the whole country with a depreciated currency. British, Dutch and German investors then saw their opportunity, and contributed capital to build our railroads and develop our natural resources. While the situation is, of course, not strictly parallel, we

might well profit by their example. European nations, too, might profit by the example of what we did ourselves after our Civil War. The great majority of our people, North and South, went to work with a will and with the determination to forget and forgive. I take the liberty of reminding European nations of the words of Lincoln: "With malice towards none, with charity for all," and of the words of General Grant, after victory, "Let us have peace." If European nations will act toward one another in the spirit of these great Americans, they will find America more ready than ever to coöperate with Europe in a large and generous American way.

While our coöperation would be very valuable, it is not indispensable to the rehabilitation of Europe, nor is the rehabilitation of Europe indispensable to our progress; both would be materially aided and hastened by coöperation. In our efforts at coöperation, we must naturally put America first, but in doing so, Europe will find, as President Harding has said, that "America first, does not mean America selfish."

America's Coöperation a Prerequisite to European Rehabilitation

By SILAS H. STRAWN

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THE people of the United States have three interests in Europe, each of equal importance. We are desirous (1) that peace shall prevail; (2) that some disposition shall be made of the debts which the European countries owe us, and (3) that our foreign trade

shall be preserved and promoted. These subjects are also of vital interest to the European nations. Let us consider them in the order named.

PEACE

We must have peace. No argument is necessary to demonstrate the truth of this proposition. Law and order, and confidence in the stability of government, are conditions precedent

¹ Mr. Strawn was a member of the Chamber of Commerce Committee which went to Central Europe last summer to make a thorough study of conditions there.—C. L. K. Editor.

to a normal economic life. No nation can be rehabilitated until its people cease to think about war and about aggressions upon their neighbors.

It would seem to be the policy of the United States, for the present at least, not to become involved in European political controversies or to help police European nations against each other. France will never forget the fact that, as a condition precedent to waiving her contention for a buffer state between her eastern frontier and Germany, our representatives at Versailles agreed (1) that the United States would be party signatory to the treaty; (2) that it would become a member of the League of Nations, and (3) that it would join with Great Britain in a separate assurance of aid against another unprovoked attack by Germany. Not one of these agreements did we ratify.

In accordance with the terms of the Armistice, our army, together with the armies of Great Britain, France and Belgium, occupied the Rhine territory. The purpose of this occupation was to prevent the renewal of war by Germany and to insure her disarmament and the payment of the indemnities.

At the end of the War the hatred of the French people by the German people was equaled only by the fear of the Germans by the French. The intensity of that feeling has continued to the present day. This together with the chaos in Russia, makes the rehabilitation of Europe difficult indeed.

Both the Germans and the French have confidence in the disinterestedness and fairness of our forces. That their remaining on the Rhine is not only agreeable to, but desired by, the Germans *and* French, as well as the British, is evidenced by their recent joint and several requests. The presence of our troops in Germany is a most mollifying influence for peace.

The fact that our soldiers are on the Rhine indicates to our allies, and to Germany as well, a desire on the part of our government, in so far as it consistently can, to help in adjusting the troubles resulting from the great cataclysm in which we participated.

Although three and a half years have elapsed since the Armistice, peace does not obtain in Europe. It will not prevail until the hatred between Germany and France is destroyed; until France has the assurance of her late allies, some or all of them, that they will come to her aid against another unprovoked attack by Germany; until France is satisfied that Germany is paying, or at least is doing her utmost to pay, the reparations fixed by the Reparations Commission, and until Germany and Russia are again considered among the family of nations.

France demands the maximum of reparations with the minimum of industrial recovery in Germany. France must be convinced this is an economic impossibility—she may know it now.

Germany, on the other hand, must be told by someone that she must bestir herself and demonstrate what she can do toward paying her obligations—that she cannot continue to “stall,” if I may use the language of the “ring.”

THE DISPOSITION OF THE DEBTS

Ever since the War we have heard bold assertions that the debts should be collected, and some have gone so far as to declare that our allies are *able* to pay them. No one, however, has as yet devised a satisfactory plan as to when and how they shall be paid. The subject is most controversial. All agree that the financial and economic affairs of Europe are sick, but by no one has a lasting cure been prescribed.

The more we consider the matter, the more complicated does the problem

become. Although the United States is to receive nothing from the Reparations Fund, she is vitally interested in the subject. It is inextricably involved with our allied debts. For the purposes of this discussion, however, I shall refer only to the debts.

International debts can be paid in three ways: (1) in gold, (2) in goods or service, and (3) by the sale of securities.

Inasmuch as we have 40 per cent of the entire stock of gold in the world available for monetary purposes, the European nations cannot pay the debts in gold. For the purpose of the illustration, let us assume that each of our allies had enough gold to pay the debts due us. The debts owed to the United States, to Great Britain and France, respectively, are shown in the table below.

THE INTER-ALLIED DEBTS

A

Principal and Interest owing from Great Britain, France, Italy and Belgium, to the United States:	
Great Britain.....	\$4,675,492,101.23
France.....	3,716,514,527.47
Italy.....	1,850,313,782.97
Belgium.....	420,263,997.55
Total from these. . . .	\$10,662,584,409.32
Total due from all other nations. . . .	\$666,696,822.05

B

Debts due from her Allies and Dominions to Great Britain, to March 31, 1921. (Converted from pounds sterling at pre-war rate of 4.86)	
Dominions.....	\$699,840,000
Russia.....	2,728,404,000
France.....	2,707,020,000
Italy.....	3,217,248,000
Belgium:	
(a) War.....	458,784,000
(b) Reconstruction.	43,740,000
Serbia.....	107,406,000
Portugal, Roumania,	
Greece and other allies	321,732,000
Relief.....	81,162,000
Total.....	\$10,365,336,000

C

Loans to Foreign Governments by France to June 30, 1921. (Converted from francs at pre-war rate of 5.18)	
Belgium.....	\$584,300,000
Czechoslovakia.....	106,000,000
Estonia.....	2,222,000
Georgia.....	38,500
Greece.....	177,200,000
Italy.....	9,450,000
Latvia.....	2,220,000
Lithuania.....	1,158,000
Montenegro.....	2,500,000
Poland.....	208,800,000
Roumania.....	213,000,000
Russia.....	1,111,000,000
Serbia.....	300,000,000
Total.....	\$2,717,888,500

Assuming that the world's stock of gold for monetary purposes is not in excess of \$10,000,000,000, the figures in the table opposite show that the debts of the Allies to us alone are in excess of the present available gold stocks. It is therefore impossible for the Allies to pay in gold even the interest upon the debts due the United States.

One of the great difficulties in Europe today is the depleted stock of gold reserves. Further depletion by payment of debts due us would disastrously affect European rehabilitation.

France owes the United States \$3,700,000,000; she owes Great Britain \$2,700,000,000. Italy owes us \$1,850,000,000; she owes Great Britain \$3,200,000,000. Belgium owes us \$420,000,000; she owes Great Britain \$500,000,000. While France owes Great Britain \$2,700,000,000, she loaned almost the same amount to other countries on the side of the Allies. France advanced to Russia more than \$1,000,000,000 and to Belgium \$500,000,000. Great Britain advanced to Russia \$2,700,000,000.

Who is to be paid first? Shall France pay us before she pays Great

Britain? Shall Italy pay us before she pays Great Britain or France? Shall Great Britain collect her debt from France and then pay us? Shall Belgium pay us before she pays France? Or how shall the payments be made? Who thinks that all or any of these European countries will pay us all of our debts before they pay their neighbors anything? Who shall say we are a preferred creditor?

A study of the imports and exports of the allied countries for the years 1910 to 1914 inclusive, and 1919 and 1920, will reveal the inability of these countries to build up trade balances in this country to meet their obligation to us. All the allied countries save Cuba, Greece and Serbia, show an unfavorable balance of trade with the United States during the period indicated. It is unreasonable to expect our principal allied debtors to build up gold credits in the United States by a favorable balance in direct visible trade with this country sufficient to pay even the interest on their debts.

But assuming these debtor countries did build up these credit balances in this country, then it would be necessary to secure from taxation or other governmental revenue sources, the means to buy the exchange from the exporters having the credit balances with which to pay these debts.

But this is not the time to discuss the *payment* of the debts. We make the point that they can never be paid, without our active coöperation with the debtors.

Considering the fact that the budgets of all debtor countries, except Great Britain, show large deficits, it is obvious our allied debtors could not pay *now*, even though the trade balances were here. A financial rehabilitation of Europe requires our coöperation.

No European nation can even *start* toward the payment of its debts until

it ceases to inflate its currency; until it at least attempts to balance its budget, and until it gets on a production basis. The prosperity of the United States, as well as of every nation in Europe, requires a compliance with these conditions.

Assuming an earnest effort is made by the European nations to stabilize their exchange and balance their budgets by effective systems of taxation, we come next to the question of foreign trade. This involves a consideration of international relations more complex than any questions of trade and finance that have even been undertaken. It necessarily requires the participation of the United States. To refrain from participating in such an undertaking would mean that we must give up any hope not only of collecting our foreign debts, but also of being hereafter any considerable factor in the world's commerce.

OUR FOREIGN TRADE

It has been frequently stated that this country is the richest and most diversified in resources on earth, and that the percentage of our foreign to our domestic trade is so small that we can entirely isolate ourselves from the rest of the world and prosper by living "on our own." We hear even the great statemen in Congress voice the popular slogan, "America for Americans." Where is America?

In 1898 as the result of the Spanish War we found ourselves possessed of the Philippines, Guam, Porto Rico and a protectorate over Cuba. In the same year the Hawaiian Islands became a territory of the United States by act of Congress. Since then we have acquired rights in, or protectorates over, Samoa, Panama, Santa Domingo and Haiti and as late as 1917 we bought the Virgin Islands. Not counting Cuba, these acquisitions total

280,000 square miles of territory with 18,000,000 people. The distance from the Virgin Islands to the Philippines is more than half way round the earth. And yet we hear we are not a world-nation!

In considering the subject assigned us, let us ignore any moral responsibility to aid in settling the world-controversy in which we participated. Let us, for the moment, disregard the possibility of another World War, unless we help settle this one. Let us not contemplate getting into another war, or our inability to keep out of the last one, and let us confine ourselves strictly to the text. Let us consider the present situation solely upon the basis of our own selfish interests with regard to the ability or inability of the European nations to rehabilitate themselves without our coöperation.

During the past fifty years, and more intensively during the last thirty, the productivity of the industrial nations of the world has increased enormously. Especially is this true of Great Britain, Germany, Japan and the United States. This industrial growth was made possible only by a corresponding expansion of markets. The necessity for foreign markets was, and is, more vital to the European nations and to Japan than to the United States. However, for many years prior to the War it became apparent that the continuous development and prosperity of our industries necessitated a constant enlargement of foreign markets and increase of our foreign trade.

FOREIGN TRADE DEVELOPMENT

From 1880 to 1914 our exports of manufactures increased from about 15 per cent to 47 per cent of our total exports. During the same period the percentage of our combined exports of raw materials and food products

decreased from 85 per cent to 53 per cent.

For the fiscal year ending June 30, 1920, the percentages of the quantities exported to total production in this country of tobacco, copper, cotton, wheat and pork were respectively 45.6 per cent, 39.3 per cent, 32 per cent, 21.1 per cent and 17.5 per cent. Our average exportation of cotton for the fiscal years 1910 to 1914 was 8,840,000 bales.

For the fiscal year ending June 30, 1921, we exported 293,268,000 bushels of wheat, or 37 per cent of the total crop; and for the year 1920, of our total crop of cotton of 12,987,000 bales, we exported 5,409,000 bales, or 42 per cent.

Every day ships leave our ports, carrying in their holds the products of our agriculture and manufacturers consigned to every civilized country under the sun. Returning, these same ships bring back to us raw materials or manufactured goods which we cannot produce at all or else in quantities insufficient to satisfy our needs, such as petroleum, manganese, quebracho, rubber, nickel, tin, silk, clothing, woolen cloth, twine, canvas, flax, linen, lace, jute, sisal, chicle, cocoanut oil, coffee, tea, coca, sugar, rice, spices, platinum, vanadium, and a vast number of other commodities too numerous to mention.

More than one-third of the people of the United States live upon farms or are dependent upon agriculture. Their prosperity depends not so much upon the amount which they produce as upon the price which they receive for their products. While to a certain extent the price is influenced by domestic demand, the foreign demand is the determining factor. This is as true of the United States as it is of Great Britain or any other large producing country.

In proportion to the reduction of the

price of farm products, is the purchasing power of the farmer diminished. The inability of the farmer to buy ramifies through every industry. It affects the manufacturers of steel, farm machinery, automobiles, machines, leather paints, building material, glass, clothing and every article of human consumption.

For a hundred years our whole economic development has been adjusted to meet a continuously increasing foreign trade. On account of the War the productivity of our industries was enlarged to such an extent that it has been authoritatively stated we can now turn out as much manufactured products in seven months as we could turn out in twelve months before the War. To persuade our manufacturers to gear down the machine to pre-war capacity seems quite impossible.

We cannot isolate ourselves. An abandonment of our foreign trade would result in an economic panic in this country the like of which has never been experienced.

REHABILITATION AND FOREIGN TRADE

What direct relation has our foreign trade to European rehabilitation?

The reduced purchasing power of the European nations directly affects the foreign demand for our products raw and manufactured. It is said that the buying power of more than 300,000,000 people in Europe is reduced to 25 per cent of what it was before the War.

Any diminution in foreign demand for the large percentage of the crop of our cotton which yearly goes abroad adversely affects all of the cotton growing territory and the prosperity of 30,000,000 of our people living in the southern states. At the same time it deprives the people of England, of Germany, of Poland and of every other

European country engaged in the manufacture of cotton goods, of the opportunity to work and to earn the money with which to live and to pay their debts and taxes. Cotton is the clothing worn by countless millions.

So long as the European nations, by reason of their chaotic industrial and financial conditions, are unable to purchase our raw materials or to produce commodities required by us, their prosperity as well as ours must wane.

While our prosperity demands a favorable balance of trade, it is equally true that the maintenance of a large volume of imports by us is as essential to our progress as is the maintenance of a large volume of exports. The European nations cannot continue to purchase our goods unless we purchase theirs. They cannot purchase our raw materials unless they have credit. They cannot establish credit until their debts are adjusted. They must put their own "houses in order," but we must coöperate with them to that end.

The business men of the United States probably could readjust our industrial machinery to a production basis below the pre-war level. They could confine themselves to the development of our domestic trade. But they never will do it. If they did, it would result in the most destructive competition ever seen.

The responsibility of solving the great international economic questions now confronting the world and the restoration of normal conditions of trade and finance, rests, not upon the governments, but upon the people, upon the business men and bankers of the various nations. Practical men who have spent years of intensive study in the building up of business and financial institutions know best how to restore the world's economic balance. Political leaders must bring

about confidence in the stability of the governments of the European nations, but the real work of rehabilitation must be done by the people. The efficiency of the government of any country depends upon the intelligence and vision of its people.

For years business organizations have been a part of the national life of every European country. Each important business center in Europe has such an organization. During the last fifteen years the business men of this country have realized the efficacy of business association. The Chamber of Commerce of the United States is a splendid national organization.

The International Chamber of Commerce, with a membership of twenty-two countries, is exerting a great influence on the European situation. Through its instrumentality business men of all countries may come together and agree as to policies to be pursued by their governments, and then exert their influence on the government to secure results. In addition, plans to improve world conditions may be conceived and carried through without governmental action.

The reports of the Genoa Conference indicate that the European

economic situation is critical. It is apparent that the European countries cannot start the machinery to make the world function again as a going concern without our coöperation. Their attempt to settle the economic troubles of Europe at Genoa without our presence is as futile as to try to rearrange or adjust the affairs of an individual bankrupt in the absence of his chief creditor. When and where we shall engage in another conference with the European nations, and where and on what terms we shall recognize Russia as a nation may be left to the judgment of our President and his cabinet—to such strong, courageous and patriotic men as Secretaries Hughes, Hoover and Mellon.

It is the function of organizations like the American Academy of Political and Social Science to do what the Academy is now trying to do—educate the people of this country to think internationally, so that when Congress may be asked to authorize the participation of the United States in the solution of international problems, the members of our national legislature may think and act as becomes the representatives of the richest and most progressive country on earth.

Is American Coöperation Necessary for European Rehabilitation?

By EDWARD A. FILENE

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THE answer to this question is "yes." If the rehabilitation of Europe is to come within the present generation, if new wars are to be avoided and we are to have a stabilized world during our lifetime, it seems clear that American coöperation is indispensable.

One who understands the problems that have for some weeks been under discussion at Genoa can hardly doubt that if three years ago we had seen the actual needs of the situation, as great numbers of us see them now, and had then whole-heartedly assumed the responsibilities for that part of the